

## Message Text

UNCLASSIFIED

PAGE 01 PARIS 29852 01 OF 02 121732Z

ACTION EB-08

INFO OCT-01 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03  
LAB-04 NSAE-00 PA-02 AID-05 SS-15 STR-05 ITC-01  
TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01 SSO-00 NSCE-00  
INRE-00 USIE-00 AF-10 ARA-14 EA-12 NEA-10 OIC-02  
/138 W

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O R 121743Z OCT 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 0174

INFO USMISSION GENEVA

UNCLAS SECTION 01 OF 02 PARIS 29852

USOECD

USMTN ALSO FOR USMISSION

E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: TRADE COMMITTEE MEETING OCTOBER 19-20

FOLLOWING IS TEXT OF ISSUES PAPER SUBMITTED BY THE  
SECRETARIAT TO AID DISCUSSION OF S&D ISSUES AT OCT. 19-  
20 MEETING OF TRADE COMMITTEE. IT IS ENVISAGED THAT  
EXCHANGE OF VIEWS ON THESE QUESTIONS WOULD BE AN  
INFORMAL ONE.

BEGIN TEXT:

1. IN THE MTN, DIFFERENTIAL TREATMENT IS NOW BEING  
DISCUSSED AT TWO LEVELS: (I) IN THE FRAMEWORK GROUP,  
WHICH ADDRESSES THE BROAD LEGAL AND TRADE POLICY  
IMPLICATIONS OF SPECIAL AND DIFFERENTIAL TREATMENT  
(I.E. HOW SUCH A "PRINCIPLE" MIGHT BE INCORPORATED INTO  
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PAGE 02 PARIS 29852 01 OF 02 121732Z

THE ARTICLES OF THE GATT); (II) IN THE VARIOUS SUB-  
GROUPS OF THE T.N.C. WHERE A NUMBER OF PROPOSALS FOR A  
CONCRETE EXPRESSION OF DIFFERENTIAL TREATMENT HAVE  
BEEN PRESENTED BUT NOT YET DISCUSSED VERY THOROUGHLY.

2. IS IT FEASIBLE THAT FULL AGREEMENT BETWEEN DE-  
VELOPED AND DEVELOPING COUNTRIES ON BOTH THE

PRINCIPLES AND THE MODALITIES OF SPECIAL AND DIFFERENTIAL TREATMENT COULD BE REACHED WITHIN THE SHORT TIME FRAME MEMBER COUNTRIES HAVE SET TO CONCLUDE THE MTN? IS IT NOT MORE PROBABLE THAT A LIMITED DEGREE OF DIFFERENTIAL TREATMENT WOULD BE OFFERED IN THOSE AREAS OF THE NEGOTIATIONS WHERE THIS DOES NOT RAISE MAJOR TRADE POLICY ISSUES? IF SO, NO DOUBT THE DEVELOPING COUNTRIES WOULD NOT ABANDON THEIR CLAIM TO OBTAIN THE MAJOR CHANGES IN INTERNATIONAL RULES IMPLIED BY THEIR INTERPRETATION OF DIFFERENTIAL TREATMENT, AND WOULD KEEP THIS QUESTION ALIVE IN GATT, AS WELL AS IN THE UN AND UNCTAD WHERE IT WOULD BE LINKED TO THE "NEW INTERNATIONAL ECONOMIC ORDER." UNDER SUCH CONDITIONS, IT SEEMS TO BE A REASONABLE GUESS THAT THE "FRAMEWORK GROUP" OR SOME SIMILAR BODY MIGHT THEN EXIST BEYOND THE CLOSE OF THE TOKYO ROUND.

3. EXCHANGES OF VIEWS ON DIFFERENTIAL TREATMENT IN THE NON TARIFF FIELD HAVE TAKEN PLACE IN OECD DURING THE PAST YEAR AND A HALF. THOSE DISCUSSIONS HAVE TOUCHED UPON SOME OF THE BROADER IMPLICATIONS OF DIFFERENTIAL TREATMENT (E.G. THE COMPLEX QUESTIONS RELATED TO THE PROBLEM OF DIFFERENTIATION AMONG DEVELOPING COUNTRIES ACCORDING TO NEEDS, I.E. THE CONCEPT OF GRADUATION); BUT, ON THE WHOLE, AN EFFORT UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 29852 01 OF 02 121732Z

WAS MADE TO RELATE THEM AS FAR AS POSSIBLE TO CONCRETE MEASURES.

4. THE OPPORTUNITY THESE MEETINGS GAVE MEMBER COUNTRIES TO CLARIFY MUTUALLY THEIR THINKING ON THESE ISSUES WAS APPRECIATED. DELEGATES HAVE EXPRESSED THEIR SATISFACTION AT BEING ABLE (I) TO EXCHANGE THEIR VIEWS INFORMALLY ON A SUBJECT OF COMMON INTEREST TO THEM; (II) TO TAKE AN OVERVIEW OF PROBLEMS WHICH ARE FRAGMENTED IN THE GENEVA NEGOTIATING PROCESS.

5. HOWEVER, THE EXERCISE IN OECD REACHED ITS LIMIT WHEN IT REALIZED THAT ANY MEETING OF MINDS ON THE VARIOUS OPTIONS OUTLINED BY THE SECRETARIAT WAS CONDITIONAL UPON A PRIOR AGREEMENT ON A NUMBER OF BASIC OBJECTIVES AND PRINCIPLES. ONE WAY OF FACILITATING FURTHER PROGRESS IN OECD MIGHT BE FOR MEMBER COUNTRIES TO REVERSE THE APPROACH TAKEN SO FAR: I.E. TO UNDERTAKE AN EXCHANGE OF VIEWS ON THE WAY SPECIAL AND DIFFERENTIAL TREATMENT COULD BE FITTED WITHIN A GENERAL TRADE POLICY FRAMEWORK.

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PAGE 01 PARIS 29852 02 OF 02 121737Z

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UNCLAS SECTION 02 OF 02 PARIS 29852

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6. IF THIS LINE OF THOUGHT WERE ACCEPTED, OECD ACTIVITIES ON DIFFERENTIAL TREATMENT COULD BE KEPT SEPARATE TO THE EXTENT POSSIBLE FROM PROCEEDINGS IN THE GATT. DIFFERENTIAL TREATMENT WOULD BE CONSIDERED AS A LONG TERM ELEMENT OF THE BASIC POLICY-BUILDING WORK WHICH AIMS AT IMPROVING NORTH-SOUTH TRADE RELATIONS.

7. DISCUSSIONS WITHIN OECD COULD AIM AT DEVELOPING A BROAD CONSENSUS AMONG MEMBER COUNTRIES ON SUCH MATTERS AS THE OBJECTIVES AND THE LIMITS OF SPECIAL AND DIFFERENTIAL TREATMENT; HOW SUCH TREATMENT COULD FIT INTO AN IMPROVED AND DYNAMIC WORLD TRADING SYSTEM WITHOUT ACTING AS A DETERRENT TO CONTINUED LIBERALIZATION; HOW IT COULD BE GRADUATED ACCORDING TO THE REAL NEEDS OF THE BENEFICIARIES; HOW THE BENEFICIARIES WOULD THEMSELVES PARTICIPATE IN A MULTILATERAL SET OF RIGHTS AND OBLIGATIONS; WHAT BURDEN THESE CONCESSIONS TO DEVELOPING COUNTRIES WOULD PUT ON INDUSTRIALIZED

UNCLASSIFIED

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PAGE 02 PARIS 29852 02 OF 02 121737Z

COUNTRIES.

8. AS LONG AS THE M.T.N. CONTINUE, INTERFERENCE WITH THE SHORT TERM OBJECTIVES WHICH THE NEGOTIATORS ARE PURSUING SHOULD BE AVOIDED. IN THIS RESPECT, IT IS SUGGESTED THAT OECD SHOULD NOT PUT EMPHASIS ON THE TECHNICAL ASPECTS OF DIFFERENTIAL TREATMENT, I.E. THE VARIOUS PROCEDURES BY WHICH THIS CONCEPT COULD BE PUT INTO EFFECT IN THE AREAS WHERE THIS WOULD BE CONSIDERED FEASIBLE AND APPROPRIATE.

9. TWO POINTS SHOULD HOWEVER BE MENTIONED. FIRST, MEMBER COUNTRIES MIGHT FEEL THE NEED FOR A PERIODIC HORIZONTAL REVIEW OF THE PROCEEDINGS IN THE VARIOUS AREAS IN WHICH DIFFERENTIAL TREATMENT IS BEING DISCUSSED SO THAT THE FINAL CONCESSIONS GRANTED TO DEVELOPING COUNTRIES ARE IN HARMONY WITH LONGER TERM CONSIDERATIONS (SEE PARAGRAPH 7 ABOVE) AND DO NOT CREATE PRECEDENTS IN SOME AREAS WHICH CARRY THE DANGER OF UNWELCOME GENERALIZATION. SECOND, IT WAS RECOGNIZED BY THE WORKING PARTY THAT IF THE SITUATION IN GENEVA WARRANTED A RESUMPTION OF DISCUSSIONS ON TECHNICAL PROBLEMS IN OECD, THIS POSSIBILITY SHOULD NOT BE PRECLUDED.

10. THE CONTINUATION OF DISCUSSIONS WITHIN OECD RAISES SOME QUESTIONS OF A PROCEDURAL NATURE. WHAT IS THE BEST WAY OF ASSOCIATING DELEGATES FROM GENEVA WITH THESE DISCUSSIONS? HOW COULD STRICT CONFIDENTIALITY OF THE DISCUSSIONS BE ENSURED, SO AS TO AVOID ANY UNWARRANTED LEAK OF INFORMATION?  
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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009